

# CREDIT SUISSE GLOBAL FOREIGN EXCHANGE AND PRECIOUS METALS DISCLOSURE STATEMENT<sup>1</sup>

## 1. Introduction

The purpose of this disclosure is to provide transparency around how Credit Suisse (“CS”) prices, handles and executes foreign exchange transactions (which term includes, for the purpose of this disclosure, precious metals transactions<sup>2</sup>).

This disclosure supplements the contractual arrangements governing the relationship between CS and you and, in the event of any conflict, those contractual arrangements (including, but not limited to, the applicable CS Terms and Conditions and the terms of access of any execution platforms) shall take precedence over this disclosure.

THIS DISCLOSURE IS NOT AN EXHAUSTIVE STATEMENT OF CS’S PRICING OR ORDER MANAGEMENT PRACTICES OR POLICIES. SOME SECTIONS OF THIS DISCLOSURE ARE SPECIFIC TO CERTAIN CS TRADING FACILITIES/PLATFORMS AND MAY NOT APPLY TO YOU.

If you have any questions on how CS prices, handles and executes foreign exchange transactions, please contact your CS sales representative or relationship manager.

## 2. The capacity in which we transact with you

CS executes FX transactions in a principal or riskless principal capacity. When executing FX transactions, CS does not act as agent, fiduciary or financial advisor or in any similar capacity for or on behalf of you<sup>3</sup>.

Where CS acts as principal, it does so for its own account and on an arm’s length basis.

Where CS acts as riskless principal, it fulfills orders by simultaneously executing an identical transaction (or combination of transactions) with other counterparties.

The following table sets out the capacity in which CS acts when it enters into a FX transaction with you. Please note that the table is not an exhaustive list of all of the FX trading facilities/platforms that may be available to you. If you have any questions about the particular mode in which you transact FX transactions with us, please contact your CS sales representative or relationship manager. Furthermore, at a later stage, as the integration of Credit Suisse and UBS progresses, the distinction between these capacities will become less meaningful as the price offered by CS will consist of the price offered by UBS plus a discretionary margin.

Trading facility/platform	Capacity
Voice Trading	Principal
eFX	Principal
eOptions	Principal
Advanced Execution Services (AES FX)	Riskless principal
FX Premium Services	Riskless principal

## 3. Pricing

A number of factors affect the price that you receive from CS. The main factors are described in this section.

### 3.1 Where CS trades as principal

When CS executes FX transactions as principal, the price offered by CS is an “all-in” price. This means that the price takes into account, among other things, the currency, size of the order, market conditions (such as liquidity and volatility), and settlement terms (such as settlement location). Such price may also include a discretionary margin (which may not be uniform across different counterparties and/or FX transactions) as determined by CS in good faith and aiming to be set in excess of its costs, which include relevant business costs, costs of capital, credit costs, execution venue and settlement fees. Apart

<sup>1</sup> The disclosures stated herein follow the recommendations of the FX Global Code and of the Global Precious Metals Code.

<sup>2</sup> Unallocated gold, silver, platinum, and palladium with standard and custom settlement.

<sup>3</sup> If applicable, this will be disclosed separately.

from these elements, CS may also modify its prices for risk management purposes in order to encourage trades that result in a reduction of CS's risk.

At a later stage, as the integration of Credit Suisse and UBS progresses, in respect of one or more currency pairs, the "all-in" price will consist of the price offered by UBS AG plus a discretionary margin.

In addition, please note that prices quoted by eFX or eOptions are indicative in nature. CS does not commit to enter into an FX transaction with you at the quoted rate until CS has confirmed acceptance of your order.

Further information on CS's eFX pricing can be found in the Credit Suisse Electronic FX Pricing and Execution Management Disclosure.

### **3.2 Where CS trades as riskless principal**

Currently, when CS acts as riskless principal, the price offered by CS is comprised of (i) the price at which CS has simultaneously executed an identical transaction with another market participant (or combination of transactions with one or more market participants having in aggregate identical cashflows with submitted orders) and (ii) a commission fee (*i.e.* spread) which will be negotiated with you in advance. At a later stage, in respect of one or more currency pairs, the portion of the price under item (i) above will consist of the price offered by UBS AG.

CS aims to set its commission fees in excess of its costs, which include relevant business costs, costs of capital, credit costs, execution venue and settlement fees. The setting of commission fees also takes into account, among other things, the execution strategy employed and the expected volume of transactions to be concluded with you. Therefore, different counterparties may receive different prices even in relation to the same or similar transactions.

## **4. Order Handling**

### **4.1 General Execution Policy**

CS will take all reasonable steps to obtain the best possible execution outcome for you. CS weighs the relevant execution factors in the context of its general business and available market information, taking (subject to your specific instructions) into account price, cost, speed, likelihood of execution and settlement of execution, size and other relevant factors when executing an order.

#### **4.1.1 Trading as principal**

When acting as principal, CS engages in price quoting, order taking, trade execution and other related activities on an arms-length basis and for the benefit of CS. Gradually over time, these activities will be carried out by UBS AG, and the price offered by CS will be the price obtained from UBS AG plus a discretionary margin.

Executions via our electronic platforms are usually automatic in accordance with the rules of the relevant system but, in certain circumstances, may require manual intervention (for example, as a result of the size, currency pair or tenor threshold of a particular trade). CS only effects a manual intervention when it determines that such intervention would improve the execution quality of an order.

There may also be instances where voice orders are sent to a CS electronic trading platform for speed of execution and available liquidity. Where this is the case, orders will receive a timestamp when they are accepted by a voice trader and a separate subsequent timestamp when submitted to the electronic trading platform. Such orders will be executed automatically in accordance with the rules of the system or manually in certain circumstances. In such circumstances, it is possible that execution of voice orders may, therefore, be non-sequential because of the involvement of different platforms (for example, a voice order submitted to an electronic platform may be executed before an earlier voice order which is not submitted to an electronic platform).

#### **4.1.2 Trading as riskless principal**

When CS acts as riskless principal, CS will fulfill your orders and aim to provide a best execution service. CS's receipt of an order does not, however, commit CS to executing all or part of the order received.

Riskless principal orders can be executed electronically through the AES FX service or manually via our AES FX or FX Premium Services desks by means of competitive pricing. CS's own principal liquidity may be included in either of the execution methods and will be considered as an equally treated market participant.

Effective immediately, orders for AES FX, Voice Trading and eFX will be visible to, and executed by, the same CS FX personnel. FX Premium Services orders will only be visible to, and executed by, personnel of the Wealth Management Execution Hub.

In relation to AES FX, fills received as part of the execution sequence of an AES FX order are communicated in real time. You have full control to update orders parameters or cancel submitted orders. Any fills received are considered done and form part of the completed order. Further details on order handling by the AES FX service can be found in the applicable AES FX Order Handling Guidelines.

## **4.2 Market Making Activities**

CS is a global financial services firm that operates as a market maker in FX for multiple counterparties' competing interests as well as CS's own interest. CS may, among other things, execute or terminate other FX transactions ahead of, or alongside, your transactions for its own account or for the benefit of other counterparties. It may also engage in risk management activities at different times in order to be able to execute an order or reduce the risk of its trade portfolio, which may include executing FX at or near your order limits, strikes and barrier levels. These activities may have an impact on the price of spot FX transactions and may trigger certain provisions of existing FX transactions, such as limit orders, option strike prices, barriers, baskets and indices.

CS has in place policies and practices to address issues arising from these activities, including potential conflicts of interest. For further information in this regard please contact your sales representative or relationship manager.

## **4.3 Order Receipt and Transfer of Market Risk**

CS will handle your orders in good faith and in a commercially reasonable manner. Your orders will only be deemed accepted once CS has acknowledged and agreed receipt of the order. Similarly, cancellations, modifications and corrections of orders will only be valid once acknowledged and agreed by CS. CS has no obligation to accept your order and/or enter into any transaction and may, at its own and absolute discretion, accept or reject your order without stating any reasons or informing you. During the period between the time you place your order and the point at which it is accepted by CS, you will be exposed to the risk that your order may not be filled.

Any executed fills are considered part of the completed order. Market risk is considered transferred to you at the time the fills are executed and may be prior to communication to you of such fills. CS endeavours to communicate to you when fills are executed in a commercially reasonable manner.

## **4.4 Order sequencing**

Orders received (including amendments) will be executed in the sequence that such orders are accepted and acknowledged by CS. Orders received on different execution platforms may not necessarily be executed in sequence across platforms and, as mentioned above in relation to voice orders, order re-routing may result in non-sequential execution. Likewise, gradually over time, as orders will be routed to UBS AG, CS may no longer be able to guarantee the same sequencing of order execution as described above.

Orders may also be aggregated with other counterparties' orders as well as CS proprietary orders for execution. Where CS does aggregate your orders with its own proprietary orders, your orders will be filled in priority to CS proprietary orders. Please note that orders from some CS affiliates may be treated as counterparty orders and, therefore, will not be treated as CS proprietary orders for the purposes of order sequencing.

## **4.5 Pre-hedging and pre-positioning**

CS may conduct risk management and market making activities for its own account while executing your order or in anticipation of your order. This may involve CS undertaking pre-hedging activities in the market or positioning its portfolio to meet anticipated demand.

CS may pre-hedge your orders if it considers (among other things) that such hedging activity would be in your interest or that such hedging activity could avoid disrupting the market. In doing so, CS will take into consideration the prevailing market conditions and size and nature of the anticipated transaction.

In particular, CS may pre-hedge for the following non-exhaustive reasons:

- when receiving a large order size
- to reduce the risk of execution slippage

- to manage exposure of CS and the impact to the market

If CS pre-hedges your order, it will not pre-hedge more than 100% of such anticipated order and will take reasonable steps to ensure that pre-hedging is not detrimental to such order.

CS does not pre-hedge or pre-position when acting in a riskless principal capacity.

CS does not pre-hedge orders placed on the eFX platform.

As order management is gradually transferred to UBS AG over time, UBS AG's pre-hedging policy will apply to eFX orders left with CS.

#### 4.6 Resting Orders

In addition to the above, you should be aware of the following in relation to resting orders that confer CS with a degree of discretion in the execution thereof (including, but not limited to, certain stop loss orders, 'at best' or 'at worst' orders or orders worked over a period of time):

In a Principal Capacity:

**Partial fills:** CS permits partial fills of resting orders (except for CS's Switzerland voice trading and eFX which are filled on a full amount basis).

**Underfills:** CS may manage multiple client orders while conducting risk management and market making activities. If CS aggregates your order with a CS proprietary order and the aggregated order is partially executed, CS will allocate the related trades to you in priority to CS.

In a Riskless Principal Capacity:

Orders executed manually are filled on a full amount basis. Market fills received for orders executed electronically through the AES FX system will form part of the FX transaction between CS and you (even if the order is partially filled).

#### 4.7 Benchmark Orders

A benchmark order is an order to buy or sell a specified amount of currency at the FX benchmark requested.

CS has established policies and procedures that seek to prevent and manage conflicts of interest that may arise during the execution of benchmark orders. CS executes benchmark orders according to the following principles:

- CS will not disclose information relating to benchmark orders other than on a need-to-know basis to CS employees or third parties; and
- CS aims to provide a best execution service in relation to benchmark orders.

Depending on a client's chosen pricing option, benchmark orders can either be executed by CS as riskless principal or as principal where CS takes on market risk in fulfilling your orders (for example, benchmark orders submitted by you which involve a price guarantee by CS). Gradually over time, benchmark orders will be routed to UBS AG and executed in a principal capacity.

In exceptional circumstance (e.g. failure of transmission or computer facilities), CS will execute the residual benchmark orders on a best efforts basis. CS will endeavour to communicate any such executions to you in a commercially reasonable manner.

In the event of exceptional circumstances outside of the control of CS (e.g. a failure with the WM/Reuters Fixing Service itself, if we determine or anticipate that market conditions in the relevant foreign exchange markets are, or will be materially different than those existing in normal market conditions) CS reserves the right to suspend the FX Benchmark Service or use an industry agreed alternative reference mid-rate that would be determined at the time of such circumstance. CS will endeavour, where possible, to notify you of any such suspension in advance.

#### 4.8 Reference Prices

Reference prices are used to determine the observed market level that may trigger order limits, fixings, option strike prices, barriers or other trade contingent events. The reference prices are established based on a number of factors including: currency, liquidity, time of day, size, tenor, prevailing market conditions, and settlement terms. Main sources of reference

rates include (amongst others) publicly available FX fixing sources, central bank rates or wholesale interbank quotes sourced from Reuters, EBS, Bloomberg, etc. Reference prices may also be determined using CS proprietary models which are based on external reference rates. Outside of Market Standard Hours, given the absence of reference prices, CS reserves the right not to execute orders.

Reference prices may also be determined using CS proprietary models, which are based on external reference rates, such as those listed above, or rates CS receives from UBS AG

#### 4.9 Last Look

This section only applies to FX transactions on the following trading platforms/facilities:

Trading facility/platform
eFX

CS's automated eFX pricing and trade acceptance logic has a control mechanism to mitigate risk by verifying the validity of trade requests (the "validity check") and checking if the requested trade price is consistent with the prevailing market rate as determined using CS proprietary models (the "price check"). The validity and price checks are collectively known as "Last Look". Market risk is transferred to you once we confirm that we have accepted your order.

CS does not use information from submitted trade requests (including rejected trade requests or trade requests that are going through the Last Look process) for any purpose other than to evaluate whether to accept or reject that trade request. As such, CS does not use submitted trade requests to inform eFX pricing or to inform FX trading activity before confirming acceptance/rejection to you (although executed orders may be used for such purposes).

**Exceeded Last Look Tolerance:** Your trade request will not be executed if the difference between the prevailing market rate and the requested trade price falls outside a pre-determined range. Last Look is used as a risk control mechanism to mitigate technology anomalies and timing latencies for CS.

When applying Last Look, CS does not incorporate any delay that is additional to what is required to complete the price and validity checks. The duration of the Last Look process can vary based on internal latency within eFX systems. Factors that affect internal latency include, but are not limited to, number of trade requests received by CS, volume of data processed by eFX systems at the time CS receives the trade request, and unforeseen technical disruptions.

CS applies Last Look symmetrically to you and CS. If the associated price falls outside of a predefined loss limit (the "**Loss Limit**"), for either CS or you, it will be rejected. CS may temporarily adjust the Loss Limit during market events such as economic data releases and periods of increased market volatility.

#### 4.10 Market Standard Hours

Market Standard Hours are defined as:

- FX: from Monday 7 a.m. Wellington time to Friday 5 p.m. New York time
- Precious Metals: from Sunday 6 p.m. New York time to Friday 5 p.m. New York time (except 5 – 6 p.m. New York time Monday to Thursday)

Market Standard Hours can be affected by bank holidays.

### 5. Confidentiality

Protecting the confidentiality of your information is very important to CS. CS treats your information in accordance with its terms of business, relevant agreements and applicable law or regulation. If it is necessary to disclose your information internally or externally in order to execute transactions or accomplish risk management, CS will only do so in accordance with applicable CS confidentiality policies and procedures or specific agreements relating to counterparty confidentiality.

CS also has regulatory or other legal obligations which may require it to disclose your information. For example, CS may disclose your information to regulators or industry bodies or associations pursuant to its regulatory or contractual reporting obligations. CS may also disclose your information in the course of regulatory investigations or legal proceedings.